

**GEORGE – LITTLE ROCK COMMUNITY
SCHOOL DISTRICT
INDEPENDENT AUDITOR’S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012**

GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education (Before September 2011 Election)		
Donell Nagel	President	2011
Amy Jurrens	Vice President	2011
Ryan Klingenberg	Board Member	2013
Terrence Clark	Board Member	2013
Doug Krull	Board Member	2011
Board of Education (After September 2011 Election)		
Amy Jurrens	President	2015
Doug Krull	Vice President	2015
Ryan Klingenberg	Board Member	2013
Terrence Clark	Board Member	2013
Curt Fiedler	Board Member	2015
School Officials		
Janel Guse	Superintendent	Indefinite
Delinda Kruger	District Secretary/Treasurer and Business Manager	Indefinite
Thomas Whorley	Attorney	Indefinite

GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

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EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report

To the Board of Education of the
George ó Little Rock Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of George ó Little Rock Community School District, George and Little Rock, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of George ó Little Rock Community School District at June 30, 2012, and the respective changes in financial positions and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 21, 2013 on our consideration of the George ó Little Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Early Retiree Plan on pages 6 through 14 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

U.S. generally accepted auditing standards, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George & Little Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which is not presented herein) and expressed unqualified opinions on that financial statement. The previous audits for June 30, 2006, 2005, and 2004 were done by another firm, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006, 2005, and 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
Sioux Falls, SD
January 21, 2013

Management's Discussion and Analysis

George ó Little Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 Financial Highlights

- The General Fund revenues increased from 5,098,052 in fiscal year 2011 to \$5,142,657 in fiscal year 2012, while General Fund expenditures increased from \$4,523,172 in fiscal year 2011 to \$4,652,670 in fiscal 2012. The District's General Fund balance increased from \$1,129,080 in fiscal 2011 to \$1,619,067 in fiscal 2012, a 43.39% increase.
- The fiscal year 2012 increase in General Fund revenues were attributable to increases in property tax, casino revenue and state and federal revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the George ó Little Rock Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report George ó Little Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District's budget for the year, as well as presenting the Schedule of Summary of Funding Progress for the Early Retiree Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

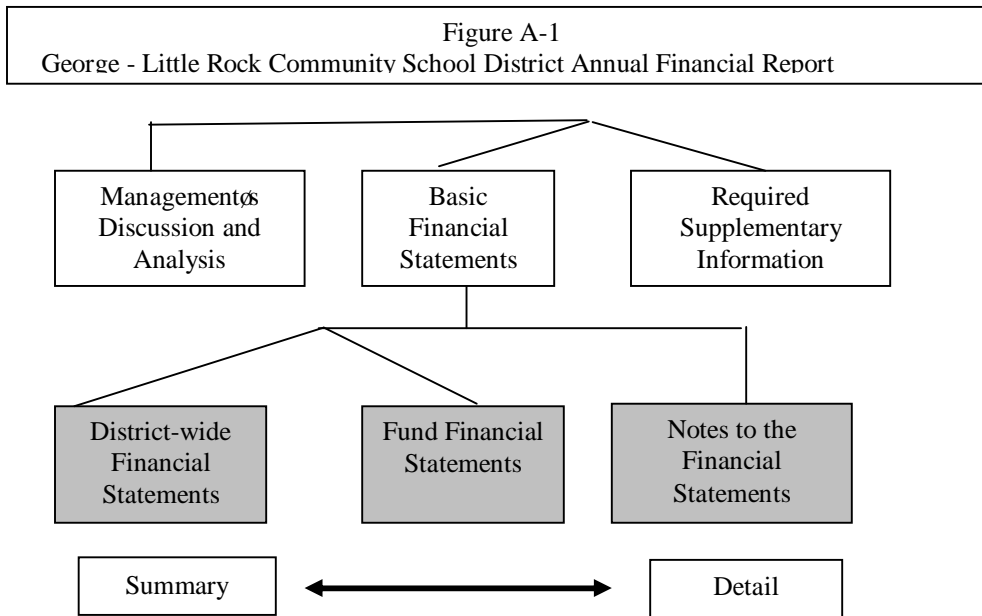


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities covered and the types of information contained.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and FFA Property
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school building and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA activities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the FFA Property Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)									
	Governmental Activities		Business type Activities		Total Activities		Total Change		
	June 30,		June 30,		June 30,		June 30,		
	2012	2011	2012	2011	2012	2011	2011 - 2012		
Current and other assets	\$ 5,897	\$ 5,274	\$ 26	\$ 24	\$ 5,923	\$ 5,298	\$ 625	11.8%	
Capital assets	6,353	6,456	74	82	6,427	6,538	(111)	(1.70%)	
Total assets	12,250	11,730	100	106	12,350	11,836	514	4.3%	
Long-term Liabilities	3,410	3,524	-	-	3,410	3,524	(114)	(3.23%)	
Other Liabilities	3,566	3,645	33	18	3,599	3,663	(64)	(1.75%)	
Total Liabilities	6,976	7,169	33	18	7,009	7,187	(178)	(2.48%)	
Net Assets									
Invested in capital assets, net of related debt	2,653	2,673	74	82	2,727	2,755	(28)	(1.02%)	
Nonspendable	160	-	-	-	160	-	160	160.0%	
Restricted	1,149	1,029	-	-	1,149	1,029	120	11.7%	
Unrestricted	1,312	859	(7)	6	1,305	865	440	50.9%	
Total net assets	\$ 5,274	\$ 4,561	\$ 67	\$ 88	\$ 5,341	\$ 4,649	\$ 692	14.9%	

The District's combined net assets increased by 14.9 % or approximately \$692,000 the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$120,000, or 11.7% from the prior year. The increase was primarily a result of the increased revenues in the General Fund, Statewide Sales, Services and Use Tax Fund, and Physical Plant and Equipment Levy Fund.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements of increased approximately \$440,000 or 50.9%. This increase in unrestricted net assets was primarily a result of the increases in the District's revenues and controlling expenditures in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011 - 2012
Revenue							
Program revenue:							
Charges for service	\$ 369	\$ 472	\$ 123	\$ 122	\$ 492	\$ 594	(17.17%)
Operating grants, contributions and restricted interest	1,048	943	129	116	1,177	1,059	11.14%
Capital grants, contributions and restricted interest	28	18	-	19	28	37	(24.32%)
General revenues:							
Property tax	2,727	2,614	-	-	2,727	2,614	4.32%
Local option sales and service tax	385	330	-	-	385	330	16.67%
Unrestricted state grants	1,701	1,748	-	-	1,701	1,748	(2.69%)
Other	4	5	-	-	4	5	(20.00%)
Total revenues	6,262	6,130	252	257	6,514	6,387	1.99%
Program expenses:							
Governmental activities:							
Instruction	3,313	3,296	-	-	3,313	3,296	0.52%
Support service	1,721	1,594	-	-	1,721	1,594	7.97%
Non-instructional programs	-	-	273	253	273	253	7.91%
Other expenses	515	470	-	-	515	470	9.57%
Total expenses	5,549	5,360	273	253	5,822	5,613	3.72%
Change in net assets	\$ 713	\$ 770	\$ (21)	\$ 4	\$ 692	\$ 774	(10.59%)

In fiscal year 2012, property tax, statewide sales and service tax, and unrestricted state grants account for 76.9% of governmental activities revenue while charges for services and operating grants, contributions and restricted interest accounted for 100% of the business type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 86.46% of the total expenses.

The District's total revenues were approximately \$6.514 million, of which \$6.262 million was for governmental activities and approximately \$252,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.99% increase in revenues and a 3.72% increase in expenses. Increases in property tax, federal grants and charges for services off set the decreases in state grants, local option sales and service tax and capital grants. Increases in expenses were related to support services and other expenses.

Governmental Activities

Revenues for governmental activities were \$6,262,491 and expenses were \$5,549,803 for the year ended June 30, 2012. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 3,313	\$ 3,296	0.52%	\$ 2,245	\$ 2,093	7.26%
Support services	1,722	1,594	8.03%	1,556	1,584	(1.77%)
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	515	470	9.57%	304	250	21.60%
Totals	<u>\$ 5,550</u>	<u>\$ 5,360</u>	3.54%	<u>\$ 4,105</u>	<u>\$ 3,927</u>	4.53%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$368,779.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,075,861.
- The net cost of governmental activities was financed with \$3,112,831 in property and other taxes and \$1,701,457 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$252,539, representing a 1.86% decrease over the prior year, while expenses totaled \$273,411, an 8.016% increase over the prior year. The District's business type activities include the School Nutrition Fund and FFA Property. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and contributions for capital project improvements. The increase in revenues is a result of more federal sources in the current year.

INDIVIDUAL FUND ANALYSIS

As previously noted, George ó Little Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,648,227, an increase of \$712,833. The primary reason for the increase in combined fund balances in fiscal 2012 is due an increase in revenues and small increase in expenditures.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and state foundation aid resulted in an increase in revenues.

Additionally, the small increases in expenditures allowed District to increase the fund balance during the year.

- The General Fund balance increased from \$1,129,080 to \$1,619,067, due in part to the increases in local taxes, state foundation aid and federal grants along with casino revenues.
- The Debt Service Fund balance increased from \$165,340 in fiscal 2011 to \$292,656 in fiscal 2012. The increased was due to the refinancing of the general obligation bonds and transfers in.
- The Capital Projects Fund balance increased due to the increases in local taxes and decreases in transportation services. The District ended fiscal 2011 with a \$507,633 balance and ended fiscal 2012 ended with a balance of \$599,719.

Proprietary Fund Highlights

School Nutrition Fund cash balance decreased from \$10,313 at June 30, 2011 to \$7,277 at June 30, 2012, representing a decrease of \$3,036. This is due primarily from increases in expenses for this year. FFA Property Fund increase the cash balance from \$5,298 at June 30, 2011 to \$8,776 at June 30, 2012, representing an increase of \$3,478.

BUDGETARY HIGHLIGHTS

The District's receipts were \$364,302 less than budgeted receipts, with a variance of (5.30%). The most significant variance resulted from the decreases in state revenues and increases in local taxes from the budgeted amounts.

Total expenditures were over budget in non-instructional programs and other expenditures functions during the school year. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in non-instructional programs and other expenditures functions areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget for the School Nutrition and FFA Property. The other expenditures were over due to the refinancing of the general obligation bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$6.427 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.70% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$266,992.

The original cost of the District's capital assets was \$10.194 million. Governmental funds account for \$9.970 million, with the remainder of \$.224 million accounted for in the Proprietary ó School Nutrition Fund.

The largest change in capital asset activity during the year occurred with addition of \$14,878 in buildings, and \$140,745 of furniture and equipment in fiscal year 2012.

Figure A-6 Capital Assets, net of Depreciation (expressed in thousands)								
	Governmental Activities		Business type Activities		Total School District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011 - 2012	
Land	\$ 49	\$ 49	\$ -	\$ -	\$ 49	\$ 49		0.00%
Buildings	5,119	5,236	-	-	5,119	5,236		(2.23%)
Improvements other than buildings	102	113	-	-	102	113		(9.73%)
Furniture and Equipment	1,083	1,058	74	82	1,157	1,140		1.49%
Totals	\$ 6,353	\$ 6,456	\$ 74	\$ 82	\$ 6,427	\$ 6,538		(1.70%)

Long-Term Debt

At June 30, 2012, the District had \$3,708,745 in general obligation, revenue and other long-term debt outstanding compared to \$3,814,280 last year. This represents a decrease of 2.767% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13 million.

In March 2005, the District's voters authorized the issuance of \$4,360,000 in general obligation bonds to pay for construction of the additions to buildings in George and Little Rock. At the same time the District issued \$685,000 of local option sales and services tax revenue bonds for the same project. The District refinanced the general obligation bonds in December 2011, this will be used to pay the bonds in 2015. The District had total outstanding bonded indebtedness at June 30, 2012 of \$3,650,000.

The District also had early retirement obligations of \$27,457 at June 30, 2012 with \$13,804 due in FY 2012 and \$13,653 long term.

The District entered into a capital lease agreement for a new tractor this year. As of June 30, 2012 the balance of the lease was \$31,288 with \$10,429 due in FY 2012 and \$20,859 long term.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total School District		Total Change
	June 30,		June 30,
	2012	2011	2011 - 2012
General Obligation Bonds	3,460,000	3,445,000	0.435%
Revenue Bonds	190,000	280,000	(32.143%)
Capital Lease	31,288	41,717	(24.999%)
Early Retirement	27,457	47,563	(42.272%)
Totals	\$ 3,708,745	\$ 3,814,280	(2.767%)

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the District will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment decreased in fiscal year 2011-2012 with a budget enrollment of 470. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2011-2012 school year, George & Little Rock students who open enroll out to other districts remained the same as last year of 26. Because George & Little Rock is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- During fiscal 2012, the District decided on a one-year contract with George-Little Rock Education Association due to the unknown factors of state funding and number of students enrolled. The District will negotiate a new agreement each year until funding and enrollment stabilizes. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Delinda Kruger, Board Secretary/Business Manager at the George & Little Rock Community School District, 500 E. Indiana Ave., George, IA 51237 or 712-475-3311.

BASIC FINANCIAL STATEMENTS

George – Little Rock Community School District

George - Little Rock Community School District
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 3,014,932	\$ 16,053	\$ 3,030,985
Receivables:			
Property tax:			
Delinquent	31,203	-	31,203
Succeeding year	2,412,035	-	2,412,035
Local option sales taxes	23,740	-	23,740
Accounts Receivable	53,055	-	53,055
Accrued interest:			
Other	1,279	-	1,279
Due from other governments	336,562	-	336,562
Due from (to) other funds	24,000	(24,000)	-
Inventories	-	9,540	9,540
Capital assets, net of accumulated depreciation	6,353,098	73,926	6,427,024
Total assets	12,249,904	75,519	12,325,423
Liabilities			
Accounts payable	94,170	-	94,170
Salaries and benefits payable	424,919	6,467	431,386
Accrued interest payable	18,519	-	18,519
Deferred revenue - other	317,455	1,813	319,268
Deferred revenue - succeeding year property tax	2,412,035	-	2,412,035
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	190,000	-	190,000
Revenue bonds payable	95,000	-	95,000
Capital Lease	31,288	-	31,288
Early retirement	13,804	-	13,804
Portion due after one year:			
General obligation bonds payable	3,270,000	-	3,270,000
Revenue bonds payable	95,000	-	95,000
Early retirement	13,653	-	13,653
Total liabilities	6,975,843	8,280	6,984,123
Net assets			
Invested in capital assets, net of related debt	2,653,292	73,926	2,727,218
Nonspendable	160,219		160,219
Restricted for:			
Categorical funding	299,877	-	299,877
Debt Service	428,136	-	428,136
Management levy	44,486	-	44,486
Physical plant and equipment	35,189	-	35,189
Student activities	37,004	-	37,004
Capital projects	304,020	-	304,020
Unrestricted	1,311,838	(6,687)	1,305,151
Total net assets	\$ 5,274,061	\$ 67,239	\$ 5,341,300

See notes to financial statements.

George - Little Rock Community School District
Statement of Activities
June 30, 2012

	Expenses	Charges for Service	Program Revenues	
			Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,395,112	\$ 141,412	\$ 489,359	\$ -
Special instruction	520,799	11,610	203,324	-
Other instruction	396,699	210,933	11,047	-
	<u>3,312,610</u>	<u>363,955</u>	<u>703,730</u>	<u>-</u>
Support services:				
Student services	162,686	-	-	-
Instructional staff services	191,957	-	-	-
Administration services	538,032	-	-	-
Operation and maintenance of plant services	536,234	4,824	160,346	-
Transportation services	293,105	-	1,014	-
	<u>1,722,014</u>	<u>4,824</u>	<u>161,360</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenses:				
Facilities acquisition	87,479	-	-	28,329
Long-term debt interest	245,258	-	-	-
AEA flow-through	182,442	-	182,442	-
	<u>515,179</u>	<u>-</u>	<u>182,442</u>	<u>28,329</u>
Total governmental activities	<u>5,549,803</u>	<u>368,779</u>	<u>1,047,532</u>	<u>28,329</u>
Business type activities:				
Non-instructional programs:				
FFA Propety	2,238	5,716	-	-
Food service operations	271,173	118,140	128,665	-
Total	<u>\$ 5,823,214</u>	<u>\$ 492,635</u>	<u>\$ 1,176,197</u>	<u>\$ 28,329</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,764,341)	\$ -	\$ (1,764,341)
(305,865)	-	(305,865)
(174,719)	-	(174,719)
(2,244,925)	-	(2,244,925)
(162,686)	-	(162,686)
(191,957)	-	(191,957)
(538,032)	-	(538,032)
(371,064)	-	(371,064)
(292,091)	-	(292,091)
(1,555,830)	-	(1,555,830)
-	-	-
(59,150)	-	(59,150)
(245,258)	-	(245,258)
-	-	-
(304,408)	-	(304,408)
(4,105,163)	-	(4,105,163)
-	3,478	3,478
-	(24,368)	(24,368)
(4,105,163)	(20,890)	(4,126,053)
2,712,369	-	2,712,369
15,011	-	15,011
385,451	-	385,451
1,701,457	-	1,701,457
3,163	18	3,181
400	-	400
4,817,851	18	4,817,869
712,688	(20,872)	691,816
4,561,373	88,111	4,649,484
\$ 5,274,061	\$ 67,239	\$ 5,341,300

See notes to financial statements.

George - Little Rock Community School District
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments	\$ 2,012,920	\$ 292,460	\$ 572,286	\$ 137,266	\$ 3,014,932
Receivables:					
Property tax:					
Delinquent	26,844	196	2,414	1,749	31,203
Succeeding year	1,655,761	328,300	263,850	164,124	2,412,035
Local option sales taxes	-	-	23,740	-	23,740
Accounts	53,055	-	-	-	53,055
Accrued interest:					
Other	-	-	1,279	-	1,279
Due from other funds	24,000	-	-	-	24,000
Due from other governments	236,313	-	100,249	-	336,562
Total assets	<u>4,008,893</u>	<u>620,956</u>	<u>963,818</u>	<u>303,139</u>	<u>5,896,806</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	93,020	-	-	1,150	94,170
Salaries and benefits payable	423,839	-	-	1,080	424,919
Deferred revenue:					
Succeeding year property tax	1,655,761	328,300	263,850	164,124	2,412,035
Other	217,206	-	100,249	-	317,455
Total liabilities	<u>2,389,826</u>	<u>328,300</u>	<u>364,099</u>	<u>166,354</u>	<u>3,248,579</u>
Fund balances:					
Nonspendable:		160,219			160,219
Restricted for:					
Debt service	-	132,437	295,699	-	428,136
Categorical funding	299,877	-	-	-	299,877
Management levy	-	-	-	64,592	64,592
Student Activities	-	-	-	37,004	37,004
Public Education Recreation	-	-	-	35,189	35,189
Physical plant and equipment	-	-	304,020	-	304,020
Assigned for					
Casino Funds	160,346	-	-	-	160,346
Unreserved	1,158,844	-	-	-	1,158,844
Total fund balances	<u>1,619,067</u>	<u>292,656</u>	<u>599,719</u>	<u>136,785</u>	<u>2,648,227</u>
Total liabilities and fund balances	<u>\$ 4,008,893</u>	<u>\$ 620,956</u>	<u>\$ 963,818</u>	<u>\$ 303,139</u>	<u>\$ 5,896,806</u>

See notes to financial statements.

George - Little Rock Community School District
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2012

Exhibit D

Total fund balances of governmental funds (page 20)	\$ 2,648,227
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Amounts reported for governmental activities in the Statements of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,353,098
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental	(18,519)
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Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,708,745)</u>
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Net assets of governmental activities (page 19)	<u><u>\$ 5,274,061</u></u>
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See notes to financial statements.

George - Little Rock Community School District
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
June 30, 2012

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,282,238	\$ 15,010	\$ 682,491	\$ 132,932	\$ 3,112,671
Tuition	70,278	-	-	-	70,278
Other	201,645	3,756	55,089	230,408	490,898
State sources	2,340,954	7	82	59	2,341,102
Federal sources	247,542	-	-	-	247,542
Total Revenues	5,142,657	18,773	737,662	363,399	6,262,491
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,193,907	-	-	251,839	2,445,746
Special instruction	600,023	-	-	-	600,023
Other instruction	396,699	-	-	-	396,699
	3,190,629	-	-	251,839	3,442,468
Support services:					
Student services	108,458	-	54,228	-	162,686
Instructional staff services	144,457	-	-	-	144,457
Administration services	484,253	-	57,122	-	541,375
Operation and maintenance of plant services	287,000	-	4,452	96,437	387,889
Transportation services	255,431	-	-	1,206	256,637
	1,279,599	-	115,802	97,643	1,493,044
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	93,230	10,473	103,703
Long-term debt principal	-	3,160,429	-	-	3,160,429
Long-term debt interest	-	242,572	-	-	242,572
AEA flow-through	182,442	-	-	-	182,442
	182,442	3,403,001	93,230	10,473	3,689,146
Total expenditures	4,652,670	3,403,001	209,032	359,955	8,624,658
Excess (deficiency) of revenues over (under) expenditures	489,987	(3,384,228)	528,630	3,444	(2,362,167)
Other financing sources (uses):					
Operating transfers in (out)	-	436,544	(436,544)	-	-
General obligation bonds issued	-	3,075,000	-	-	3,075,000
Total other financing sources (uses)	-	3,511,544	(436,544)	-	3,075,000
Net change in fund balances	489,987	127,316	92,086	3,444	712,833
Fund balances beginning of year	1,129,080	165,340	507,633	133,341	1,935,394
Fund balances end of year	\$ 1,619,067	\$ 292,656	\$ 599,719	\$ 136,785	\$ 2,648,227

See notes to financial statements.

George - Little Rock Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds to the Statement of Activities
Year ended June 30, 2012

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ 712,833

Amounts reported for governmental activities in the
Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	155,623	
Depreciation expense	<u>(258,617)</u>	(102,994)

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(3,075,000)	
Repaid	<u>3,160,429</u>	85,429

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(2,686)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>20,106</u>	<u>20,106</u>
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Change in net assets of governmental activities (page 19) \$ 712,688

See notes to financial statements.

George - Little Rock Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit G

	School Nutrition	FFA Property	Totals
Assets			
Cash and cash equivalents	\$ 7,277	\$ 8,776	\$ 16,053
Inventories	9,540	-	9,540
Capital assets, net of accumulated depreciation	73,926	-	73,926
Total assets	<u>90,743</u>	<u>8,776</u>	<u>99,519</u>
Liabilities			
Due to other funds	24,000	-	24,000
Deferred revenue	1,813	-	1,813
Salaries and benefits payable	6,467	-	6,467
Total Liabilities	<u>32,280</u>	<u>-</u>	<u>32,280</u>
Net Assets			
Invested in capital assets, net of related debt	73,926	-	73,926
Unrestricted	(15,463)	8,776	(6,687)
Total net assets	<u>\$ 58,463</u>	<u>\$ 8,776</u>	<u>\$ 67,239</u>

See notes to financial statements.

George - Little Rock Community School District
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds
June 30, 2012

Exhibit H

	School Nutrition	FFA Property	Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 118,140	\$ 5,716	\$ 123,856
Operating expenses:			
Non-instructional programs:			
Operations:			
Salaries	94,972	-	94,972
Benefits	14,283	-	14,283
Purchased services	2,311	-	2,311
Supplies	151,232	2,238	153,470
Depreciation	8,375	-	8,375
Total operating expenses	271,173	2,238	273,411
Operating loss	(153,033)	3,478	(149,555)
Non-operating revenues:			
State sources	2,520	-	2,520
Federal sources	126,145	-	126,145
Interest income	18	-	18
Total non-operating revenues	128,683	-	128,683
Change in net assets	(24,350)	3,478	(20,872)
Net assets beginning of year	82,813	5,298	88,111
Net assets end of year	\$ 58,463	\$ 8,776	\$ 67,239

See notes to financial statements.

George - Little Rock Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

EXHIBIT I

	School Nutrition	FFA Property	Totals
Cash flows from operating activities:			
Cash received from sales	\$ 118,462	\$ 5,716	\$ 124,178
Cash paid to employees for services	(95,193)	-	(95,193)
Cash paid to suppliers for goods or services	(133,777)	(2,238)	(136,015)
Net cash used by operating activities	(110,508)	3,478	(107,030)
Cash flows from non-capital financing activities:			
State grants received	2,520	-	2,520
Federal grants received	104,934	-	104,934
Net cash provided by non-capital financing activities	107,454	-	107,454
Cash flows from capital and related financing activities:			
Sale of capital assets	-	-	-
Capital contributions	-	-	-
Acquisition of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	18	-	18
Net increase (decrease) in cash and cash equivalents	(3,036)	3,478	442
Cash and cash equivalents beginning of year	10,313	5,298	15,611
Cash and cash equivalents end of year	\$ 7,277	\$ 8,776	\$ 16,053
Reconciliation of operating loss to net cash used by operating activities			
Operating loss	(153,033)	3,478	(149,555)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Commodities used	21,211	-	21,211
Depreciation	8,375	-	8,375
(Increase) decrease in inventories	(1,445)	-	(1,445)
Increase (decrease) in salaries and benefits payable	62	-	62
Increase (decrease) in deferred revenues	322	-	322
Increase (decrease) in due to other governments	14,000	-	14,000
Net cash used in operating activities	\$ (110,508)	\$ 3,478	\$ (107,030)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011 the District received \$17,641 of federal commodities.

See notes to financial statements.

GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The George ó Little Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of George and Little Rock, Iowa and the predominately agricultural territory in Lyon, Sioux and Osceola Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, George ó Little Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The George ó Little Rock Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements ó The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements ó Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the property tax and other revenues to be used for payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise ó School Nutrition Fund is used to account for the food service operations of the District. The other Enterprise ó FFA Property Fund is used to account for the FFA hog raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications of committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents ó The cash balances of most District funds are pooled and invested. Investments are non-negotiable certificates of deposit which are stated at cost except for investments in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable ó Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year

property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2010 assessed property valuations, is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments ó Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories ó Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets ó Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activity columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	2,500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	100 years
Improvements other than buildings	15 - 50 years
Furniture and equipment:	3 - 15 years

Salaries and Benefits Payable ó Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August,

have been accrued as liabilities.

Deferred Revenue ó Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities ó In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activity column in the Statement of Net Assets.

Fund Equity ó In the governmental fund financial statements, fund balance are classified as follows:

Restricted ó Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal law through constitutional provisions or enabling legislation.

Committed ó Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned ó Amounts which the Board of Education intends to be used for specific purposes that are neither considered to be restricted or committed.

Unassigned ó All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,002,465 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk for the investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investor Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	<u>\$ 24,000</u>

The School Nutrition Fund will be repaying the General for an advance to pay expenditures of the Fund when the cash flow improves.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from:	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 10,429
Debt Service	Statewide Sales Tax	426,115
		<u>\$ 436,544</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	
Gifted and Talented Program	\$ 43,456
Preschool/State Aid	218,125
Teacher Compensation	994
Professional Development Core Curriculum	29,985
Educator Quality, Professional Development	<u>7,317</u>
	<u>\$ 299,877</u>

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,270	\$ -	\$ -	\$ 49,270
Total capital assets not being depreciated	49,270	-	-	49,270
Capital assets being depreciated:				
Buildings	7,178,163	14,878	-	7,193,041
Improvements other than buildings	502,243	-	-	502,243
Furniture and equipment	2,084,938	140,745	-	2,225,683
Total capital assets being depreciated	9,765,344	155,623	-	9,920,967
Less accumulated depreciation for:				
Buildings	1,942,242	131,649	-	2,073,891
Improvements other than buildings	388,907	11,677	-	400,584
Furniture and equipment	1,027,373	115,291	-	1,142,664
Total accumulated depreciation	3,358,522	258,617	-	3,617,139
Total capital assets being depreciated, net	6,406,822	(102,994)	-	6,303,828
Governmental activities capital assets, net	\$ 6,456,092	\$ (102,994)	\$ -	\$ 6,353,098
Business type activities:				
Furniture and equipment	\$ 224,011	\$ -	\$ -	\$ 224,011
Less accumulated depreciation	(141,710)	(8,375)	-	(150,085)
Business type activities capital assets, net	\$ 82,301	\$ (8,375)	\$ -	\$ 73,926

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 26,304

Support services:

Instructional staff

47,500

Operation and maintenance of plant

148,345

Transportation

36,468

Total depreciation expense - governmental activities

\$ 258,617

Business type activities:

Food service operations

\$ 8,375

(7) **Long-Term Debt**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 280,000	\$ -	\$ 90,000	\$ 190,000	\$ 95,000
General Obligation	3,445,000	-	3,060,000	385,000	190,000
General Obligation	-	3,075,000	-	3,075,000	-
Capital Lease	41,717	-	10,429	31,288	10,429
Early Retirement	47,563	-	20,106	27,457	13,804
Total	\$ 3,814,280	\$ 3,075,000	\$ 3,180,535	\$ 3,708,745	\$ 309,233

General Obligation Bonds Payable

During the fiscal year 2012 the District issued \$3,075,000 in general obligation bonds with an interest rate of 1.25% to 2.85% to refund the Series 2005A general obligation bonds. Those general obligation bonds had an interest rate of 4% and an unpaid principal at the time of refunding was \$3,445,000. The District refunded \$2,880,000 of the unpaid principal, the debt to reduce its total debt service payments over the twelve years by \$34,215.79. The proceeds of the refunding issue were deposited into an irrevocable trust with an escrow agent to provide for the future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased for the bonds callable in 2014 and the liability for that has been removed from the financial statements of the District.

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June, 30	Interest Rates	Bond Issue July 1, 2005			Bond Issue December 6, 2011			Totals	
		Series 2005A			Series 2011				
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2013	4%	\$ 190,000	\$ 137,800	\$ 327,800	\$ -	\$ 61,783	\$ 61,783	190,000	199,583
2014	4%	195,000	130,200	325,200	-	61,783	61,783	195,000	191,983
2015	1.25%	-	-	-	260,000	61,783	321,783	260,000	61,783
2016	1.25%	-	-	-	265,000	58,533	323,533	265,000	58,533
2017	1.25%	-	-	-	265,000	55,220	320,220	265,000	55,220
2018-2022	1.6 - 2.4%	-	-	-	1,440,000	207,723	1,647,723	1,440,000	207,723
2023-2025	2.55 - 2.85%	-	-	-	845,000	43,568	888,568	845,000	43,568
		\$ 385,000	\$ 268,000	\$ 653,000	\$ 3,075,000	\$ 550,390	\$ 3,625,390	\$ 3,460,000	\$ 818,390

Revenue Bonds Payable

Details of the District's June 30, 2012 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June, 30	Interest Rates	Bond Issue July 1, 2005		
		Series 2005B		
		Principal	Interest	Total
2012	3.10%	\$ 95,000	\$ 5,368	\$ 100,368
2013	3.20%	95,000	1,805	96,805
		\$ 190,000	\$ 7,173	\$ 197,173

The local option (statewide) sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from

the proceeds of the local option (statewide) sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option (statewide) sales and service tax revenue bonds includes the following provisions:

1. A sinking fund to be established for all proceeds of the local option (statewide) sales and services tax revenue must be deposited.
2. The amounts to be deposited into the sinking fund shall be equal to the amount of principal and interest coming due on the bonds and any other obligations payable from the local option (statewide) sales and service tax revenues
3. A reserve fund is required to be maintained on deposit an amount equal to the lesser of 10% of the proceeds of the Series 2005B or 125% of the average annual debt service on Series 2005B

The District did comply with all of the provisions during the year ended June 30, 2012. The required reserve account was established by the District with a balance of \$68,500 and the sinking fund had \$98,582.

During the year ended June 30, 2012, the District made interest payments totaling \$183,778 under the agreements.

Capital Lease

During the prior year the District entered into a capital lease agreement to purchase a tractor. The total cost of the lease is \$46,717.50. The District made a \$5,000 downpayment and will have installments of \$10,429.12 to be made each April 20 until 2015 and the final payment of \$1 made April 20, 2016.

Year	
Ending	Payment
2013	\$ 10,429
2014	10,429
2015	10,429
2016	1
	<u>\$ 31,288</u>

(8) Termination Benefits

The District offered a voluntary early retirement plan to its employees until November 30, 2007. Eligible employees must have completed at least fifteen years of continuous service in the district and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Directors by February 1 of the applicable year.

Early retirement benefits are a flat \$2,000 per year for 5 years and health insurance payments based on the retirement year rate until the retiree reaches 65 years of age. If health insurance rates go up the retiree will need to pay the difference.

At June 30, 2012, the District has obligations to three participants with a total liability of \$27,457. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$20,106. Details of the early retirement obligations at June 30, 2012 are as follows:

Year Ending	Compensation	Health Insurance	Total
2013	\$ 4,000	\$ 9,804	\$ 13,804
2014	-	5,461	5,461
2015	-	5,461	5,461
2016	-	2,731	2,731
	<u>\$ 4,000</u>	<u>\$ 23,457</u>	<u>\$ 27,457</u>

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$236,550, \$191,155 and \$178,916 respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description ó The District offers a single-employer early retirement incentive plan which provides health insurance benefits to teachers, administrators, and business managers who are between the ages of 55 and 62 with 15 or more years of service at retirement.

The benefit is in the form of a cash payment, sick leave payout, and medical premium subsidy until the age of 65. The subsidy is in the amount of the single premium at the time of retirement, and retirees are responsible for any increase in the premium.

Funding Policy ó The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation ó The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 124,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>124,000</u>
Contributions made	<u>(64,000)</u>
Increase in net OPEB obligation	60,000
Net OPEB obligation beginning of year	<u>61,000</u>
Net OPEB obligation end of year	<u>\$ 121,000</u>

The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$15,760 to the medical plan. Plan members eligible for benefits contributed \$5,278.20 or 25% of the premium costs.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost	Net OPEB Obligation
6/30/12	\$ 124,000	52%	\$ 121,000

Funding Status and Funding Progress ó As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2012, the actuarial accrued liability was \$1.209 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.209 million. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions ó Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The 9-Year Summary of Projected Cash Flows, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the projected net benefits for the District's post retirement benefit plan based on the current population.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.00%. The ultimate medical trend rate is 5.00%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Average life expectancy for the George-Little Rock Community School Distribution participants based on this table is 82 years of age. Employees are assumed to retire at the latest of age 55 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected annual premiums of the medical plan for participants range from \$6,667.68 for a \$200 deductible to \$5,835.24 for a \$750 deductible. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 30 years on an open basis.

(11) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$182,442 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(13) Operating Lease

As of June 30, 2012, the District was leasing copiers under operating lease agreement with an office equipment company. The lease was entered into on July 6, 2007 with monthly payments of \$741.75 made on the 6th of each month and the final payment to be made on July 6, 2012. The future minimum payments required for the existing operating leases will be \$8,901.00 for fiscal year 2012-2013 and \$741.75 for fiscal year 2013-2014.

George – Little Rock Community School District
Required Supplementary Information

George - Little Rock Community School District
 Budgetary Comparison Schedule of Revenues, Expenditure and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local Sources	\$ 3,673,847	\$ 123,874
Intermediate sources	-	-
State sources	2,341,102	2,520
Federal sources	247,542	126,145
Total revenues	<u>6,262,491</u>	<u>252,539</u>
Expenditures		
Instruction	3,442,468	-
Support services	1,493,044	-
Non-instructional programs	-	273,411
Other expenditures	3,689,146	-
Total expenditures	<u>8,624,658</u>	<u>273,411</u>
Excess (deficiency) of revenues over (under) expenditures	(2,362,167)	(20,872)
Other financing sources, net	<u>3,075,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	712,833	(20,872)
Balances beginning of year	<u>1,935,394</u>	<u>88,111</u>
Balances end of year	<u><u>\$ 2,648,227</u></u>	<u><u>\$ 67,239</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,797,721	\$ 3,657,695	\$ 3,657,695	\$ 140,026
-	-	-	-
2,343,622	2,848,637	2,848,637	(505,015)
373,687	373,000	373,000	687
6,515,030	6,879,332	6,879,332	(364,302)
3,442,468	4,004,500	4,150,000	(707,532)
1,493,044	1,567,700	1,750,000	(256,956)
273,411	245,000	260,000	13,411
3,689,146	784,404	1,250,000	2,439,146
8,898,069	6,601,604	7,410,000	1,488,069
(2,383,039)	277,728	(530,668)	(1,852,371)
3,075,000	2,500	2,500	3,072,500
691,961	280,228	(528,168)	1,220,129
2,023,505	2,016,938	1,617,287	406,218
\$ 2,715,466	\$ 2,297,166	\$ 1,089,119	\$ 1,626,347

See accompanying independent auditor's report.

George ó Little Rock Community School District
Notes to Required Supplementary Information ó Budgetary Reporting
Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. There were no budget amendments adopted during the year.

During the year ended June 30, 2012, expenditures in the non-instructional programs and other expenditures function areas exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

George ó Little Rock Community School District
Schedule of Funding Progress for the Early Retiree Plan
Required Supplementary Information

Year	Retiree Cost (A)	Subsidy Payments (B)	Total Contributions (C)	Net Benefit Payments	Implicit Subsidy (A +C)	Explicit Subsidy (B)	Net Benefit Payments
2012	\$ 105,000	\$ 16,000	\$ (55,000)	\$ 66,000	\$ 50,000	\$ 16,000	\$ 66,000
2013	\$ 103,000	\$ 19,000	\$ (54,000)	\$ 68,000	\$ 49,000	\$ 19,000	\$ 68,000
2014	\$ 102,000	\$ 22,000	\$ (54,000)	\$ 70,000	\$ 48,000	\$ 22,000	\$ 70,000
2015	\$ 115,000	\$ 24,000	\$ (61,000)	\$ 78,000	\$ 54,000	\$ 24,000	\$ 78,000
2016	\$ 112,000	\$ 21,000	\$ (59,000)	\$ 74,000	\$ 53,000	\$ 21,000	\$ 74,000
2017	\$ 108,000	\$ 26,000	\$ (57,000)	\$ 77,000	\$ 51,000	\$ 26,000	\$ 77,000
2018	\$ 103,000	\$ 28,000	\$ (55,000)	\$ 76,000	\$ 48,000	\$ 28,000	\$ 76,000
2019	\$ 71,000	\$ 23,000	\$ (38,000)	\$ 56,000	\$ 33,000	\$ 23,000	\$ 56,000

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

George – Little Rock Community School District

Supplementary Information

George - Little Rock Community School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Schedule 1

	Special Revenue			Total
	Management Levy	Student Activity	Public Education Recreation Levy	
Assets				
Cash and cash equivalents:				
Cash	\$ 63,644	\$ 32,004	\$ 36,618	\$ 132,266
Investments	-	5,000	-	5,000
Receivables:				
Property tax:				
Delinquent	1,448	-	301	1,749
Succeeding year	140,000	-	24,124	164,124
Total assets	205,092	37,004	61,043	303,139
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	500	-	650	1,150
Salaries and benefits payable	-	-	1,080	1,080
Deferred revenue - succeeding year				
Property tax	140,000	-	24,124	164,124
Other	-	-	-	-
Total liabilities	140,500	-	25,854	166,354
Fund equity:				
Unreserved fund balances	64,592	37,004	35,189	136,785
Total liabilities and fund balances	\$ 205,092	\$ 37,004	\$ 61,043	\$ 303,139

See accompanying independent auditor's report.

George - Little Rock Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2012

Schedule 2

	Special Revenue			Total
	Management Levy	Student Activity	Public Education Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 110,076	\$ -	\$ 22,856	\$ 132,932
Other	9,825	211,007	9,576	230,408
State sources	49	-	10	59
Total revenues	119,950	211,007	32,442	363,399
Expenditures:				
Current:				
Instruction:				
Regular instruction	22,596	225,333	3,910	251,839
Support services:				
Operation and maintenance of plant services	87,126	-	9,311	96,437
Student Transportation	-	-	1,206	1,206
Other expenditures:				
Facilities acquisition	-	-	10,473	10,473
Total expenditures	109,722	225,333	24,900	359,955
Excess (deficiency) of revenues over (under) expenditures	10,228	(14,326)	7,542	3,444
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	10,228	(14,326)	7,542	3,444
Fund balances beginning of year	54,364	51,330	27,647	133,341
Fund balances end of year	64,592	37,004	35,189	136,785

See accompanying independent auditor's report.

George - Little Rock Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2012

Schedule 3

	Capital Projects		
	Statewide	Physical Plant	
	Sales,	and	
	Services and	Equipment	
	Use Tax	Levy	Total
Assets			
Cash and cash equivalents:			
Cash	\$ 270,680	\$ 301,606	\$ 572,286
Receivables:			
Property tax:			
Delinquent	-	2,414	2,414
Succeeding year	-	263,850	263,850
Local option sales taxes	23,740		23,740
Accrued interest	1,279	-	1,279
Due from other governments	-	100,249	100,249
Total assets	295,699	668,119	963,818
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue - succeeding year			
Property tax	-	263,850	263,850
Other	-	100,249	100,249
Total liabilities	-	364,099	364,099
Fund equity:			
Restricted for:			
Debt Service	295,699	-	295,699
Physical plant and equipment	-	304,020	304,020
Total liabilities and fund balances	\$ 295,699	\$ 668,119	\$ 963,818

See accompanying independent auditor's report.

George - Little Rock Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Capital Project Accounts
Year ended June 30, 2012

Schedule 4

	<u>Capital Project Accounts</u>		
	<u>Statewide</u>	<u>Physical Plant</u>	
	<u>Sales,</u>	<u>and</u>	
	<u>Services and</u>	<u>Equipment</u>	
	<u>Use Tax</u>	<u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 385,451	\$ 297,040	\$ 682,491
Other	5,088	50,001	55,089
State sources	-	82	82
Total revenues	<u>390,539</u>	<u>347,123</u>	<u>737,662</u>
Expenditures:			
Current:			
Support services:			
Student Services	-	54,228	54,228
Administration Services	-	57,122	57,122
Operation and maintenance of plant services	-	4,452	4,452
Other expenditures:			
Facilities acquisition	-	93,230	93,230
Total expenditures	<u>-</u>	<u>209,032</u>	<u>209,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>390,539</u>	<u>138,091</u>	<u>528,630</u>
Other financing sources (uses):			
Operating transfers	<u>(426,115)</u>	<u>(10,429)</u>	<u>(436,544)</u>
Total other financing sources (uses)	<u>(426,115)</u>	<u>(10,429)</u>	<u>(436,544)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(35,576)</u>	<u>127,662</u>	<u>92,086</u>
Fund balances beginning of year	<u>331,275</u>	<u>176,358</u>	<u>507,633</u>
Fund balances end of year	<u>\$ 295,699</u>	<u>\$ 304,020</u>	<u>\$ 599,719</u>

See accompanying independent auditor's report.

George - Little Rock Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Annual	2,078	6,513	6,051	43	2,583
Resale	1,163	26,443	25,240	(2,366)	-
General	481	41,334	41,285	(530)	-
Athletics	-	8,507	2,364	(6,143)	-
Baseball	-	3,723	11,853	8,130	-
Basketball:					
Boys	-	8,571	6,923	(1,648)	-
Boys Fundraiser	699	3,777	3,080	(1,000)	396
Girls	-	5,345	4,701	(644)	-
Girls Fundraiser	-	9,079	8,002	(1,000)	77
Track:					
Boys	-	829	3,364	2,535	-
Girls	-	301	2,188	1,887	-
Softball	-	2,336	6,290	3,954	-
Wrestling	-	2,093	4,916	2,823	-
Wrestling Fundraiser	1,258	-		(1,133)	125
Football	-	-	1,383	1,383	-
Golf:					
Boys	-	19	431	412	-
Girls	-	-	416	416	-
Volleyball	-	13,480	12,518	(962)	-
Cross Country	-	2,433	3,094	661	-
Cheerleaders	72	1,986	2,308	250	-
Music - Vocal	-	1,578	2,935	1,357	-
Music - Instrumental	-	1,638	1,463	(175)	-
Music Boosters	343	-	-	-	343
Faculty	2,219	5,239	4,586	-	2,872
Future Farmers of America	3,656	25,178	27,405	-	1,429
Future Farmers /Savings	11,194	15	-	-	11,209
National Honor Society	129	3,572	3,098	-	603
MS Student Council	370	-	-	-	370
HS Student Council	3,215	2,164	2,718	-	2,661
Investor Group	1,849	-	-	-	1,849
Drama Club	-	1,897	3,386	1,489	-
Interest on Investments	-	69	-	(69)	-
Athletics Resale	-	1,452	1,896	444	-
Spanish Trip	1,396	9,642	9,797		1,241

See accompanying independent auditor's report.

George - Little Rock Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
Class of:					
2011	2,618	-	2,500	(118)	-
2012	2,770	-	491	(2,279)	-
2013	4	6,943	5,864	260	1,343
2014	712	22	400	-	334
2015	487	280	-	-	767
2016	233	842	674	-	401
2017	128	520	416		232
2018		570	456		114
Insurance	-	456	457	1	-
NOW Interest	-	6	-	(6)	-
Book Fair - George	419	2,820	2,501		738
Magazines	-	650	390	(260)	-
MS Magazines	4,323	2,661	1,600	(5,384)	-
MS Yearbook	236	951	954	-	233
Pictures	-	43	-	(43)	-
MS Reading Program	-	3,024	3,310	286	-
Steve Groenwold Memorial	33	-	-	-	33
Virgil Krull Memorial	233	-	-	-	233
Band Fundraiser	7,064	-	847	-	6,217
Workkeys	601	-	-	-	601
Vending Machine	395	151	155	(391)	-
Promotions	952	1,855	627	(2,180)	-
	\$ 51,330	\$ 211,007	\$ 225,333	\$ -	\$ 37,004

See accompanying independent auditor's report.

George - Little Rock Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

		Modified Accrual Basis			
		2012	2011	2010	2009
Revenues:					
Local sources:					
Local tax	\$	3,112,671	\$ 2,943,817	\$ 2,695,208	\$ 2,517,385
Tuition		70,278	114,611	103,136	91,462
Other		490,898	380,072	360,195	343,513
Bonds		-	-	-	-
Intermediate sources		-	-	-	-
State sources		2,341,102	2,413,380	2,178,410	2,564,825
Federal sources		247,542	277,931	504,774	167,328
Total		<u>6,262,491</u>	<u>6,129,811</u>	<u>5,841,723</u>	<u>5,684,513</u>
Expenditures:					
Instruction:					
Regular instruction		2,445,746	2,376,317	2,289,367	2,387,719
Special instruction		600,023	535,914	558,235	578,651
Other instruction		396,699	446,294	466,432	451,958
Support services:					
Student services		162,686	134,153	99,964	101,281
Instructional staff services		144,457	149,624	114,631	87,340
Administration services		541,375	476,330	544,152	514,709
Operation and maintenance of plant services		387,889	432,611	356,127	396,540
Transportation services		256,637	363,451	215,186	309,019
Central support services		-	-	-	-
Non-instructional programs		-	-	-	-
Other expenditures:					
Facilities acquisition		103,703	231,173	69,234	154,293
Long-term debt					
Principal		3,160,429	255,000	250,000	235,000
Interest and other charges		242,572	165,560	174,991	184,193
AEA flow-through		182,442	202,344	199,217	178,849
Total	\$	<u>8,624,658</u>	<u>\$ 5,768,771</u>	<u>\$ 5,337,536</u>	<u>\$ 5,579,552</u>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
\$ 2,481,924	\$ 2,435,179	\$ 2,220,837	\$ 1,843,801	\$ 1,686,118
91,439	64,239	108,869	95,412	78,793
330,738	417,069	454,405	240,651	285,002
-	-	5,045,000	43,591	-
-	500	1,697	1,344	-
2,554,877	2,246,580	2,238,731	2,134,833	1,941,302
306,558	498,649	209,369	283,336	179,640
5,765,536	5,662,216	10,278,908	4,642,968	4,170,855

2,388,562	2,291,273	2,177,635	1,981,506	1,838,852
510,165	497,948	483,495	557,850	571,727
406,835	376,508	378,093	394,355	292,522
98,269	90,720	96,344	72,976	48,851
132,092	72,786	75,428	80,801	75,841
590,484	557,377	534,224	464,367	628,640
458,106	411,631	355,349	321,735	250,703
252,794	309,222	238,468	223,469	193,493
-	-	-	-	-
74	2,033	-	672	-
286,978	4,039,507	1,493,337	579,680	287,585
232,091	217,091	135,000	-	-
191,992	201,438	180,602	18,360	17,000
169,411	164,820	155,076	149,090	146,587
\$ 5,717,853	\$ 9,232,354	\$ 6,303,051	\$ 4,844,861	\$ 4,351,801

See accompanying independent auditor's report.

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
George ó Little Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George ó Little Rock Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of George ó Little Rock Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the George ó Little Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion of the effectiveness of George ó Little Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of George ó Little Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies internal control over financial reporting we consider to be material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-12-A and I-12-B to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the George ó Little Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

George ó Little Rock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit George ó Little Rock Community School District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of George ó Little Rock Community School District and other parties to whom George ó Little Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of George ó Little Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
January 21, 2013

GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-12-A Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare the financial statements and accompanying notes to the financial statements that are materially correct. The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The District's inadequate controls over financial reporting result in the likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation ó While we recognize that this condition is not unusual for organization of your size, is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Response ó Management and the Board of Education will review and approve for propriety the draft of the financial statements and accompanying notes to the financial statements prepared by the auditors. Due to the District's size, we will accept the risk associated with these conditions based on cost and other considerations.

Conclusion ó Response accepted.

INSTANCES OF NON-COMPLIANCE:

I-12-B The Board of Education did not approve the disposal of old lockers during any meeting that was published of the District during YR 2012 nor was the disposal published in the newspaper. Iowa State Code 21.3 regarding meetings of governmental bodies requires "each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public at the open session. The minutes shall be public records open to public inspection." The District's policy 803.01 and Iowa State Code 297.22(1)(d) require that before "property having a value of not more than five thousand dollars, other than real property, may be disposed of by any procedure which is adopted by the board and each sale shall be published by at least one insertion each week for two consecutive weeks in a newspaper of general circulation in the district."

Recommendation ó The Board of Education and the Superintendent need to follow the District's policies and Iowa State Code regarding the disposition of property.

Response ó Management and the Board of Education will do this in the future.

Conclusion ó Response accepted.

GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-12-A Certified Budget ó Expenditures for the year ended June 30, 2012, exceeded certified budget amounts in the non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget for the year ended June 30, 2012.
Recommendation ó The certified budget should have been amended in accordance with Chapter 24.9 of the code of Iowa before expenditures were allowed to exceed the budget.
Response ó Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
Conclusion ó Response accepted.
- II-12-B Questionable Expenditures ó No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-12-C Travel Expense ó No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-12-D Business Transactions ó During the September 2011 election one of the newly elected board members was also a coach for the District, his employment as a coach ended before the salary exceeded the Iowa State Statute amount.
- II-12-E Bond Coverage ó Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-12-F Board Minutes ó As previously noted, property disposed of had not been approved by the Board as required by Chapter Codes 21.3, and 297.22(1)(d) and Board policy 803.01.
In addition, there was a conflict of interest with one of the Board members voted, when their spouse is employed by the District as a teacher, did not abstain from voting on the Master Contract for the teachers which is in violation of Board policy 203.00 on Conflict of Interest and Chapter 68B.2A(2)(b).
Recommendation ó The Board of Education and the Superintendent need to follow the District's policies and Iowa State Code regarding the disposition of property. The Board of Education members must follow the District's policies and Iowa State Code regarding conflict of interest and abstain from voting in matters which are a conflict of interest.
Response ó In the future Board of Education will comply with the Iowa State Code and the District policies.
Conclusion ó Response accepted.
- II-12-G Certified Enrollment ó No variances in the basic enrollment data certified to the Department of Education were noted.
- II-12-H Supplementary Weighting ó No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-12-I Deposits and Investments ó No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2012

- II-12-J Certified Annual Report ó The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-12-K Categorical Funding ó No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-12-L Statewide Sales and Services Tax ó No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted. Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales and services tax revenue in the District's CAR:

Beginning balance		\$	215,981
Statewide sales and services tax revenue			385,451
Expenditures/transfers out:			
School infrastructure			
Land	\$	-	
Buildings		-	
Equipment		-	
Other improvements		-	
Debt service for school infrastructure:			
General obligation debt	(325,870)		
Revenue debt	(100,245)		(426,115)
Ending Balance		\$	<u>175,317</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt Service Levy	\$ 0.08778	\$ 14,726